TARA™
MORTGAGE CORPORATION

Ph: 850.474.0011 Fx: 850.474.9878
4300 Bayou Blvd., Madison Park, Suite1 Pensacola, FL 32503

www.TaraMortgage.com

April 8, 2008

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: "Docket No. R-1305"
Proposed Rule Amending Regulation Z

Dear Ms. Johnson,

Please submit the following comments into the record regarding docket no. R-1305, "Proposed Rule Amending Regulation Z".

I am a licensed Correspondent Mortgage Lender in Pensacola, Florida. Although the state of Florida considers my business a "Lender", my business, however, functions as a Mortgage Broker. Like most Lenders and Brokers, I provide retail loan origination services to the public. I obtain the loan products and programs from wholesale lending channels and offer them to consumers at a retail price. This business model isn't unique to the mortgage lending industry; it's essentially the same model that's been the foundation of free enterprise since the birth of our great country.

I am one of three principal owners of a small business that's been in operation since 1979. Like most small business owners, my customers choose me because of the personal service I provide along with straightforward answers to complex questions. My customers are the same people that live and work in the community where I live and the success of my mortgage practice is attributed to the quality of service that I provide, which has earned me repeat and referral business. The same cannot be said for other retail mortgage providers, namely those who seek to commoditize the mortgage industry and measure the value of any practitioner to whomever can offer the lowest price.

The purpose of my letter is to express the concerns I have over the Fed's "Proposed Rule" and how it may impact the future of residential mortgage lending - particularly the consumer's ability to access credit to buy a home.

I completely support the consumer protections with respect to advertising, unfair and deceptive practices. On numerous occasions, I've had former customers contact my office about a direct mail offer they received that named my business, but was not sent by me. Consumers receive this type of offer daily and they inaccurately believe the sender was the same company they currently had a mortgage with, when that's not the case. As long as marketers have access to public record data that identifies the Lender by name, they will use this information to "trick" consumers into thinking a direct mail offer is from their current Lender, and therefore, it should be acted upon. Marketers should be prohibited from doing this unless the offer clearly states that it's NOT from their current Lender.

Conversely, I respectfully oppose the proposal that singles out Mortgage Brokers with a "Broker only" disclosure and restrictions on compensation. During the loan application process, the consumer does not distinguish between Brokers and direct Lenders. It's been my observation over almost thirty years of experience, that consumers mistakenly believe that all mortgages are made by banks and that the money used to fund their mortgage comes from the depository assets of the lending bank.

The evolution of lending practices combined with technology have brought the industry to a state where virtually all retail mortgage providers, are performing the same tasks and are compensated in the same fashion. The defining roles of the various retail lending channels have become blurred in recent years as more and more direct lenders have themselves assumed the position of a financial intermediary by packaging and reselling the loans they originate. It's become increasingly more difficult to accurately identify the actual "owner" of the mortgage as compared to the "originator" and the "servicer" of the loan.

It does not facilitate a healthy, competitive environment for retail mortgage providers to be licensed and regulated differently, solely on the basis of their corporate identity. In fact, policymakers and regulators have publicly stated that the Mortgage Brokerage industry is largely "un-regulated", which contradicts the truth. Mortgage Brokers are highly regulated and almost every state has enacted laws that license and regulate Mortgage Brokers, require continuing education and routine examination of borrower files.

Any proposal that creates standards for practices, including specific statements and forms of disclosure, MUST apply to ALL retail loan originators not just Mortgage Brokers. A common misconception held by policymakers and regulators is that Mortgage Brokers are the only group receiving compensation from the Lender. This Lender payment to the Broker is commonly referred to as "yield spread premium" and is not exclusively related to Brokered loans. Direct Lenders who originate mortgages and sell them in the secondary market also receive this form of compensation, but refer to it as a "service release premium" (SRP). Regardless of the name given, the YSP/SRP represents a useful component in the mortgage lending process, whereby the consumer is given a choice. The consumer can pay a slightly higher interest rate by NOT having to pay as much in up-front settlement charges. Opponents of the YSP/SRP debate argue that the YSP/SRP is some sort of "extra" cost to the consumer, which it is not. The YSP/SRP effectively reduces the amount of money a homebuyer would otherwise need to complete the purchase of a home. In recent years, many homebuyers have opted for a loan, whereby there are none of the traditional loan discount or origination fees, and in addition have a portion of their remaining closing costs paid by their Lender or Broker from the YSP/SRP.

The Fed's proposal seeks to single out Mortgage Brokers by requiring the consumer to enter into an agreement, before signing an application for a mortgage loan, that specifies the amount and terms of any fees the Broker is to receive, yet doesn't require the same of other retail mortgage originators. It is impossible for any service provider to enter into such an agreement and to establish a level of compensation without having a sufficient understanding of the time and effort involved in completing the transaction for the Borrower. Furthermore, without knowing the Borrower's financial status, details of the transaction and eligibility for specific programs, it's impossible to know the overall feasibility of the loan. Nevertheless, the same challenges in determining whether or not a particular Borrower can obtain a mortgage loan are faced by ALL retail mortgage providers, not just Brokers. For all these reasons, the standards should be the same for all mortgage channels and not unique to just one - namely the Mortgage Broker

In conclusion, I very much favor a national mortgage reform effort that will provide the consumer with a range of loan options to choose from, a disclosure scheme that's simple and presents costs fairly and accurately. Most importantly, however, I must insist that the proposed Rule establish a standard of practice that applies to ALL retail mortgage originators, regardless of whether it's an independent Mortgage Broker, or the employee of the largest bank in the country. Please consider alternatives to the proposal which not only protect the consumer, but establish a uniform standard of business practice, applicable to ALL originators, that encourages competition on both price and service.

My sincerest thanks to the Board of Governors for the opportunity to submit my comments and suggestions.

Sincerely,

Tara Mortgage Corporation

J. Mike Gilmore

J. Mike Gilmore,
Certified Mortgage Consultant